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May 28, 2004

Jennifer J. Johnson

Secretary

Board of Governors of the Federal Reserve System

20" Street and Constitution Avenue, NW

Washington, DC 20551

Re: Docket No. R-1188

Dear Secretary Johnson,

We are writing you on behalf of the American Psychiatric Association (APA) regarding the proposed Fair Credit Reporting Medical Information Regulations. The APA is a national medical specialty society, founded in 1844, whose over 35,000 psychiatric physician members specialize in the diagnosis and treatment of mental and emotional illness and substance use disorders. As such, we are concerned not only for the welfare of our members, but also their patients. The proposed rule creates exceptions to the general prohibition against using and obtaining medical information and is generally consumer oriented. We encourage the Agencies to continue this framework as it is in conformity with Congressional intent to restrict the use of medical information for making credit decisions to only those purposes that are truly necessary and appropriate.

The Agencies seek comments on whether any additional or different exceptions should be included in the final regulation. We believe the proposed exceptions are sufficient to protect legitimate operational, transactional, risk-and other needs consistent with Congressional intent.

In Congressional hearings leading up to the passage of the FACT Act, representatives of the industry repeatedly took the position that banks did not request and did not use medical information for consumer credit purposes. There was no substantive discussion of when the use of medical information for consumer credit decisions might be appropriate and necessary. Thus, physicians entered this rule-making procedure with little knowledge of when banks actually use medical information in making credit decisions and whether such use might be appropriate.

Through the initial proposed regulation, physicians have been given the first real opportunity to learn about some of the actual circumstances where medical information is used in making consumer credit decisions. Should additional



exceptions be recommended in comments to the proposed rule, consumers should be given the specific opportunity to respond to and comment on those recommendations prior to the finalization of the rule.

We would like to point out that the comment period for these proposed rules is deficient to the extent that the proposed rule (as well as the Act) refers to the model Privacy of Consumer Financial and Health Information Regulation issued by the National Association of Insurance Commissioners, as in effect on **January 1, 2003**. That model regulation is not readily available to the public. The NAIC only sells **copies** of the regulation. It is essential that the Agencies make a copy of that regulation available to the public at no cost so that the **public** will have an opportunity to read, understand, and comment upon the consequences.

The Agencies should also be aware that provisions (no matter how **limited**) that allow creditors to obtain **and use** medical information have the potential to create a new form of consumer reporting that focuses exclusively on health information. The justification of collection health information on all consumers would be that the information **can** be used in **some** instances, **as** the final regulation **will** demonstrate. Those with an incentive to collect health information might well be beyond the scope of existing regulation and **may** be able to use the information for other purposes. It would be an extremely unfortunate result **if** a provision intended to allow extremely narrow use of medical information ended **up** creating a new, massively invasive consumer reporting activity for that information. The Agencies **should** be aware of this possibility, **and** they should take steps where ever possible to prevent or discourage creditors from obtaining medical information from new or unregulated sources.

## Comments on Specific Sections

### I. Sec \_\_.3 Definitions

#### Definition of "medical information"

The proposed rule defines "medical information" as information or data, whether oral or recorded, in any form or medium, created **by** or derived from a health care provider or the consumer, that relates to (1) the past, present, or future physical, mental, or behavioral health or condition of an individual; (2) the provision of health care to an individual; or (3) the payment for the provision of health care to an individual. The term "medical information" does not include the age or gender of a consumer, demographic information about **the** consumer, including a consumer's residence address or e-mail address, or **any** other information about a consumer that does not relate to **the** physical, mental, or behavioral health or condition of a consumer. The proposal tracks the statutory definition of "medical information."

**This** definition should be maintained. **By** tracking the statutory definition, the regulatory provision closely adheres to Congressional intent to give broad protection to medical information.



We believe that it would be inappropriate to exclude from the definition of “**medical information**,” information related to medical debts that **has** been coded in accordance with section 604(g)(1)(C) so that it does not reveal the specific identity of the provider or medical service rendered. Such an approach **is** not supported by the Act. Coded information **still** reveals **that** the consumer has a medically-related debt. **The** fact that a consumer has medically-related debt constitutes “information **that** relates to “the payment for the **provision** of health care to an individual,” under the statutory definition. Removing coded information from the definition would be an inappropriate narrowing of the statutory definition. Moreover, removing coded information from the definition of “medical information” would effectively remove it **from** the anti-discrimination protections afforded in proposed section \_\_.30(c). The result would be **that** creditors would be permitted to treat medical debt differently than nonmedical debt. This would be contrary to Congressional intent.

**Recommendation:** Retain **the** proposed definition of medical information.

II. Sec. \_\_.30(a)  
General Prohibition on Obtaining and Using Medical Information in Connection with a Determination of **Eligibility** for Credit

A. Sec. \_\_.30(a) General Prohibition

The proposed regulation contains a general prohibition on obtaining or using medical information pertaining to a consumer in connection with **any** determination of the consumer’s eligibility, or continued eligibility, for credit **and** then creates limited exceptions. **This** approach is consistent with the Act and Congressional intent that medical information only be obtained and used for credit-related purposes when appropriate **and** necessary.

B. Sec. \_\_.30(a)(2)(i) Definitions

1) Including “**terms** of credit” in the definition of “eligibility, or continued eligibility, for credit.”

The proposed rule defines “eligibility, or continued eligibility, for credit” as including the **terms** on **which** credit is offered. We commend **this approach**. The Act is designed to protect against **the** inappropriate use of medical information in credit decisions. **This** would encompass not only whether consumers are offered credit but also the terms under which they are offered credit. For example, **a** consumer should not have to pay a higher **rate** of interest due to their medical condition. Therefore, the terms on which credit is offered should be encompassed **by** the term “eligibility, or continued eligibility for, credit.”

**Recommendation:** The proposed approach strongly supports Congressional intent and should be retained.

2) Excluding debt cancellation **and** forbearance practices from the definition of “eligibility, or continued **eligibility**, for credit.”



The proposed rule provides that the term “eligibility, or continued eligibility, for credit” does not include:

- (B) Any determination of whether the provisions of a debt cancellation contract, debt suspension agreement, credit insurance product, or similar forbearance practice or program are triggered

Wholly excluding debt cancellation contracts and suspension agreements from the definition of “eligibility, or continued eligibility for credit” is an overbroad approach. Any provision that allows creditors to obtain and use medical information in connection with debt cancellation, debt suspension, or credit insurance products or practices needs to be tied to **a** specific consumer and **a** specific **need**.

First, the proposed provision contains a very broad general grant of authority that would allow creditors to collect medical information on **ALL** consumers **from** multiple sources in order to have that information available if and when an issue of cancellation, suspension, or other allowable use arises with respect to a few consumers. **This** approach could authorize **an** entirely new industry of health reporting (akin to credit reporting) on consumers to **support** the authorized purposes. It is therefore important that any provision (whether it be a rule **of** construction or an exclusion) **be** limited to obtaining or **using** medical information to a triggering event of a specific consumer.

**Second**, the proposed provision is overbroad with respect to the purpose for which medical information may be used and obtained. Forbearance procedures and practices may be triggered by events unrelated to medical conditions. For example, a **debt** cancellation contract **can** be triggered by unemployment or divorce. There would be no need to obtain and use medical information to determine whether **such** a debt cancellation contract provision has been triggered. **The** rule should thus permit **a** creditor to obtain and use medical information **for** forbearance procedures only where the triggering event **is** medically-related.

Third, we note that credit insurance is different **from** the other listed forbearance practices since it involves **a** third party insurer as well as the creditor and the consumer. Generally, a consumer purchases credit insurance from the insurer. **If** a medical event were to trigger credit insurance the insurer would be **the** party to be informed of the event and would then pay the creditor. **We** question whether a creditor **has** a “legitimate operational, transactional, **risk** and other needs” in obtaining and using medical information **in** these circumstances. Unless such needs are adequately demonstrated “credit insurance” should be dropped from this provision.

Finally, the Agencies have requested comments on whether it is more appropriate to address debt cancellation and forbearance in **a** rule **of** construction or **as an** exception. **We** believe the more appropriate approach is to create a limited exception that would allow a creditor to obtain and use **medical** information for these purposes, **rather than** wholly excluding them from the definition of “eligibility, or continued eligibility, for credit.” Determining whether the provisions **of** a debt cancellation contract, debt suspension agreement or similar forbearance practice or program **are** triggered appears to be a determination of the terms on which credit is offered. These practices thus appear to fit the definition of “eligibility or continued eligibility for



credit.” A provision which incorporates our suggested limitations would more appropriately be framed **as** an exception than a rule of construction.

Wholly excluding debt cancellation contracts and suspension agreements from the **definition** of “eligibility, or continued eligibility for credit” is an overbroad approach. It would have the effect of permitting creditors to obtain and use medical information in inappropriate circumstances.

**Recommendations:** Delete the provision related to debt forbearance from section     .30(a)(2). Create an exception in     .30(1)(d) that permits creditors, upon a consumer’s claim, assertion, or request that the provisions of a debt cancellation contract, debt suspension agreement, or **similar** forbearance practice or program have been triggered by a medical or mental health condition or status to obtain and use medical information to determine whether such provisions have been triggered.

### III. Sec.     .30(b) Rule of Construction for Receiving Unsolicited Medical Information

#### A. Rule

The proposed rule includes a rule of construction for receiving unsolicited medical information. Under the rule, a creditor does not obtain medical information for purposes of paragraph .30(a)(1) [**the** general prohibition on obtaining **and** using medical information **in** connection with any determination of a consumer’s eligibility for credit] if it:

- (i) Receives medical information pertaining to a consumer in connection with any determination of the **consumer’s** eligibility, or continued eligibility, of credit without specifically requesting medical information; and
- (ii) Does not use that information in determining whether to extend or continue to extend credit to the **consumer** and the **terms** on which credit is offered or continued.

The Agencies proposed this provision because they believe that a creditor should not be seen as violating the prohibition on obtaining medical information when the creditor does not specifically ask for or request such information, yet the consumer or other person provides the information to the creditor.

We appreciate the Agencies’ concern **and** do not object to the general premise of the rule. However, we believe it makes more sense to include **this** provision **as an** exception instead of as a rule of construction. **The** preamble to the rule makes clear that obtaining and using information are two distinct activities. Yet under **this** proposed provision, using **and** obtaining information are merged into one concept.

It **is** preferable to consistently treat obtaining and using information **as** distinct activities. This **is** more readily accomplished by creating an exception to the general prohibition on use and disclosure.

We also believe that **the** regulation should clearly state that “without specifically requesting medical information” means volunteered by the consumer without **any** pressure, prompting, or solicitation (whether direct or indirect) by the creditor. For **example**, a creditor could prompt a consumer to provide medical information by saying that “**we** are not allowed to ask you for



medical information, but you can volunteer to provide it if you choose.” This type of solicitation should **be** expressly prohibited. Additionally, we recommend **adding** a provision stating that unsolicited medical information should not be recorded or **maintained**, and should **be** destroyed.

**Recommendations:** Delete the proposed rule of construction. Add the following exception for receiving unsolicited medical information.

(b) Exception for receiving unsolicited medical information –(1)  
In general.

- (i) Medical information received **by a** creditor when the creditor **has** not specifically requested medical information and when medical information **is** volunteered by the consumer without **any** pressure, prompting, or solicitation (whether direct or indirect) by the creditor **is** considered to be unsolicited medical information for purposes of this section.
- (ii) A creditor may obtain unsolicited medical information for purposes of **paragraph (a)(1)**.
- (iii) A creditor may not use unsolicited medical information in determining whether to extend or continue to extend credit **to** the consumer and the terms on which credit is offered or continued.
- (iv) A creditor may not record or maintain and must **destroy** unsolicited medical information as soon **as** practical after receipt of such information.

## B. EXAMPLES

We believe the proposed examples accurately reflect the intent that unsolicited medical information may **be** obtained without **violating** the prohibition, but **may** not be used. We suggest the following changes to **make** the examples conform with the provision’s being changed to **an** exception.

(2) Examples of obtaining and using unsolicited medical information consistent with the exception

- (i) In response to a general question regarding a consumer’s debts or expenses, a creditor receives information that the consumer **has a particular medical** condition. The creditor does not use that information **in determining whether** to extend credit to the consumer or the terms on which the credit **is** offered.
- (ii) In conversation with the loan officer, the consumer **informs** the creditor that the consumer **has a particular medical condition**, and the creditor does not use that information in **determining whether to extend** credit to the consumer or the terms on which credit **is** offered.

## IV. Sec. \_\_.30(c) Financial Information Exception

The proposed rule creates a general “financial information” exception which **permits** creditors to obtain **and** use medical information pertaining to a consumer in connection with a determination of the consumer’s eligibility so long as three conditions **are** met:



- The information relates to debts, expenses, income, benefits collateral, or the purpose **of** the loan, including the use of proceeds;
- The creditor uses the medical information in a manner and to **an** extent that is no less favorable than it would use comparable information that is **not** medical information in a credit transaction; and
- The creditor does not take the consumer's physical, mental, **or** behavioral health, condition or history, type of treatment, or prognosis into account **as part** of any such determination.

**This** provision essentially **permits** a creditor to treat medically-related debt and income no less favorably than other debt and income. However, the provision prohibits financial institutions from discriminating against the consumer on the basis **of** underlying **medical** condition, treatment or prognosis.

The primary reason consumers are opposed to financial institutions' having access to their medical information is the concern that they will be discriminated against on the basis of the information. Congress intended to address these concerns and directed the Agencies to promulgate rules consistent with Congressional intent to restrict the use of medical information for inappropriate purposes. **This** proposed provision **generally** strikes a reasonable balance between a creditor's need to obtain and evaluate financial information (which may incidentally be medically related) and the need **to** protect consumers from discrimination based on their medical condition.

The **only** time when **a** creditor may need to specifically request medical information in its initial application for credit would appear to be where credit is requested **for** the purpose of financing medical products or services. **A** creditor would be able to request **such** information under proposed section \_\_.30(d)(1)(v). Proposed section .30(d)(1)(v) specifically permits a creditor to obtain and use medical information in the case **of** credit for the purpose of financing medical products or services, for determining and verifying the medical purpose **of** the loan and use of proceeds. Since a creditor could, in the appropriate circumstances, request medically-related financial information under this proposed section, it is appropriate to limit the financial information exception to those circumstances where the creditor has not initiated the inquiry into medical information.

In order to fully accomplish its goals, the proposed regulation should be amended to specify that to come within this particular exception, the creditor **has** not specifically requested medical information in its initial application for credit. This would permit creditors to request generic financial information (e.g., outstanding debts, sources of income) while prohibiting them from **Specifically** requesting information related to medical debt. Furthermore, this approach seems to incorporate current practice. Financial institutions have repeatedly represented that they do not **routinely** request **medical** information in their credit application process.

Finally, while the title of this subparagraph indicates that it is limited to "financial information" the text of the regulation does not expressly include this limitation. Under general rules of statutory construction the title of a section is not controlling. **This** provision should be clarified by including the limitation in the actual text of the rule.



**Recommendations:** The general approach of this provision should be retained. Creditors should be prohibited from treating medically-related debt and income less favorably than other debt and income. The non-discrimination provisions should remain. In addition, the following changes (in **ALL CAPS**) should be made

(c) Financial information exception For obtaining and using **medical** information

(1) In general. A creditor may obtain and **use FINANCIAL INFORMATION THAT ALSO QUALIFIES AS** medical information pertaining to a consumer in connection with any determination of the consumer's eligibility, or continued eligibility, **for credit so long as:**

(i) The creditor **does not** specifically request medical information in the initial application for credit;

(ii) The information relates to **debts**, expenses, income, benefits, collateral, or the purpose **of** the loan, including the use of proceeds;

(iii) The creditor **uses** the medical information in a **manner** and to an extent that is no less favorable than **it** would use comparable information that is not medical information in a credit transaction; and

(iv) The creditor **do** not take the consumer's physical, mental, or behavioral health, condition or **history**, type **of** treatment, or prognosis into account **as** part of any such determination.

The proposed examples appropriately illustrate the **rule and should** be retained.

#### V. Sec. \_\_.30(d)(1)(i) Powers of Attorneys Exception

Exception \_\_.30(d)(1)(i) **permits** a creditor to obtain **and** use medical information: To determine whether the use **of** a power of attorney or legal representative is necessary and appropriate.

**This** provision is over broad. There are only limited circumstances when it may be appropriate for a creditor to obtain and use medical information in relation to powers of attorney or legal representatives.

There **may** be times when a creditor would **need** to determine whether the use of a power of attorney that **is** triggered by a medical event or condition is appropriate **and necessary**. However, powers **of** attorney can be used in non-medical related circumstances. **For** example, a consumer **who** resides in one state may execute a power of attorney to consummate a mortgage in another state. Creditors should not be permitted to obtain and use medical information in the latter circumstance.

Additionally, financial institutions may have an interest in assuring that a power of attorney or legal representative is not fraudulently obtained **and** may wish to verify that the consumer **has** the legal capacity to execute the document. Legal capacity may be tied to the consumer's medical status whether or not the power **of** attorney **was** triggered by a specific medical event.





**Recommendation:** This exception should be amended so that it limited to those circumstances where the use of a power of attorney ~~or~~ legal representative ~~is~~ triggered ~~by~~ a medical condition ~~or~~ where there ~~is~~ some question about the consumer's legal capacity to execute the underlying legal document.

## VI. Exception for Medical Information in Consumer Reports

### Comments on Proposed Approach

The Agencies appear to perceive these provisions as conflicting with each other. To reconcile these provisions, proposed exception \_\_\_\_30(d)(1)(iii) permits ~~a~~ creditor to obtain and use medical information for determining ~~a~~ consumer's eligibility for credit to the extent such information is included in ~~a~~ consumer report from a consumer reporting agency, in accordance with 15 U.S.C. Sec. 1681b(g)(1)(B) [section 604(g)(1)(B) of **FCRA**] ~~and is~~ used for the purpose(s) for which the consumer provided specific written consent. This would permit ~~a~~ creditor to obtain and use uncoded medical information in ~~a~~ consumer report for purposes of determining eligibility for credit.

The Agencies have not proposed a separate exception for obtaining and using consumer reports ~~that~~ contain coded medical information 15 U.S.C. Sec. 1681b(g)(1)(C) [~~section 604(g)(1)(C) of FCRA~~] because they do not believe ~~that~~ it is necessary to propose a separate exception. **Rather**, the Agencies have put forth different theories under **which** consumer reports with **coded medical** information can be used and obtained ~~by~~ creditors without a specific exception. The Agencies properly have determined that no separate exception ~~is~~ required for consumer reports with coded medical information. This approach should be extended to consumer reports with **uncoded** medical information.

The Agencies have taken the proper approach by proposing that **no** exception is necessary to permit creditors to obtain and use coded medical information in consumer reports furnished ~~by~~ consumer reporting agencies in accordance with section 604(g)(1)(C) of **FCRA**. Additionally, the theory that creditors who intend to **use** this coded medical information **would** be able to do so in accordance ~~with~~ the financial information exception in \_\_\_\_30(C) seems sound.

The Agencies should adopt this as the general approach to interpreting sections 604(g)(1) and 604(g)(2), **regardless** of whether ~~the~~ medical information is coded or uncoded. There should be no independent exception for consumer reports that contain medical information. Rather, creditors only should be able to obtain and use medical information **in** consumer reports to the extent that the creditor is able to meet one of the other exceptions to the general prohibition (such as the financial information exception or the credit for medical procedure exception).

This approach is the most appropriate interpretation of the **FACT** Act. The prohibition in section 604(g)(2) is very broad. The delegation of authority to the Agencies makes very clear that exceptions ~~are~~ to be made consistent with Congressional intent to restrict the use of medical information for inappropriate purposes. **Thus**, it is appropriate to interpret section 604(g)(2) as



prohibiting creditors from obtaining and using consumer reports with medical information unless there is another independent exception for doing so.

This approach is fully consistent with section 604(g)(1), which permits consumer reporting agencies to furnish consumer reports in certain circumstances. **This approach would permit** consumer reporting agencies to furnish consumer reports that contain medical information either **by** coding the information or by obtaining a **true** informed consent. It would encourage consumer reporting agencies to code medical information so as not to require consumer consent. **Finally**, this approach would allow creditors to obtain and use consumer reports containing medical information pursuant to another exception where the Agencies have determined that it is necessary and appropriate.

The theory that section 604(g)(1) should be interpreted **as giving** independent authorization to creditors to obtain and use consumer reports containing medical information is unsupported by the very structure of the **FACT** Act. Section 604(g)(1) addresses the permitted activities of consumer reporting agencies. It is intended to encourage **them** to code medical information in consumer reports. Section 604(g)(1) does not purport to govern the activities of creditors. **It** would be inappropriate to read this provision **as** creating independent **grounds** for creditors' obtaining **and** using medical information. That determination is to be made under section **604(g)(2)**.

Moreover, creating a separate consumer report exception **would** allow creditors to circumvent the conditions imposed **by** the other exceptions. For example, under proposed \_\_.30(d)(1)(vi), a creditor may obtain and use medical information **if** the consumer requests that specific medical information **be used for** a specific purpose. In contrast, there is no such requirement under 604(g)(1)(B). It appears that **a** consent under section **604(g)(1)(B)** could be valid if it merely stated that a consumer consented to the furnishing of a consumer report. The consent does not have to state that the consumer report includes medical information.

In sum, a separate exception **is** not appropriate for obtaining and using consumer reports that contain **any** medical information, whether or not it is coded. Legitimate uses of both coded and uncoded medical information for determining **a** consumer's eligibility for credit appear to be covered by other proposed exceptions. To the extent a consumer report contains financial information that pertains to medical treatment or payment, the information would be covered by the "financial information" exception. To the extent the information is sought for the purpose of financing medical products or services, to determine and verify the purpose(s) for the loan, exception (v) **would** apply. To the extent the information **is** provided pursuant to consumer request, it would be covered by the consumer request exception.

**Recommendation:** There should be no separate exception for consumer reports.

## VII. Fraud Prevention and Detection

### Sec. \_\_.30(d)(1)(iv)



Section \_\_.30(d)(1)(iv) would permit a creditor to obtain and use medical information in connection with **any** determination of the consumer's eligibility, or continued eligibility, for credit for purposes of fraud prevention and detection.

**This** exception is over broad and **is** unnecessary. **There** seem to be few circumstances under which the use of medical information would be necessary and appropriate to fraud prevention **and** detection. Furthermore, other, more specific, exceptions would appear to permit **a** creditor to obtain and use medical information where **such** use is appropriate. **To the** extent that a creditor suspects that a power of attorney has been fraudulently obtained or **used** exception \_\_.30(d)(1)(i) would appear to apply. **To** the extent the creditor suspects that the consumer **is** using the proceeds of **a** loan **for** financing medical products or services exception \_\_.30(d)(1)(v) **would** apply. If a creditor believed that a consumer fraudulently requested loan forbearance, section \_\_.30(a)(2)(B) would apply.<sup>1</sup> **If** the purported fraud involved debt that coincidentally was medical information, it appears that exception \_\_.30(c) would apply.

It is difficult to envision other circumstances where it would be appropriate for a creditor to use and obtain medical information for the purpose of fraud prevention **and** detection.

**Recommendation:** The separate exception for fraud prevention **and** detection should be deleted.

## VIII. Financing Medical Products or Services Sec. \_\_.30(d)(1)(v)

### A. Proposed Rule

**Proposed** section \_\_.30(d)(1)(v) would permit a creditor to **use** and obtain medical information for determining credit eligibility in the case of credit **for the purpose** of financing medical products or services, to determine: and verify the medical purpose of a loan and the **use of** proceeds.

This exception specifically applies to those creditors that finance medical products or services. The provision does not contain broad permission to **obtain and** use medical information. Rather, it specifically identifies the purposes **for which** this information can be used **and** obtained —nly for determining **and** verifying the medical purpose of the loan and **the** use of the proceeds. These limitations are important to ensure that medical information **only** be **used** for **legitimate** purposes.

This approach strikes the appropriate balance between satisfying the legitimate needs of medical finance creditors and the intent **of** Congress to limit the use of medical information **in** credit eligibility determinations.

<sup>1</sup> **Proposed** section \_\_.30(a)(2)(i)(B) would exclude from the definition of “eligibility, or continued eligibility, for credit” a determination of whether the provisions of a debt cancellation contract, debt suspension agreement, credit insurance product or similar forbearance practice or program are triggered. **We** propose that an exception be treated for debt cancellation contracts and similar forbearance practices. Under either approach, it would appear that creditor would be able to obtain and use medical information to determine whether the debt forbearance was properly triggered or obtained through fraud.



**Recommendation:** The provision should be retained as proposed.

## B. Examples Related to Financing Medical Products or Services

Section \_\_.30(d)(2) contains examples of determining the medical purpose of the loan or the **use** of proceeds. Generally, these examples are helpful in explaining the proper application of this exception.

However, example (i) **should** be modified. Example (i) states that it is appropriate for a creditor to **confirm the consumer's medical eligibility** to undergo that procedure with a surgeon. If the surgeon reports that the surgery will not **be performed** on the consumer, the creditor may use that information to deny the consumer's application for credit, because the loan would not be used for the **stated** purpose. The essence of the inquiry **is** to determine whether **the** patient is going to use the loan proceeds for the stated purpose. Medical eligibility **is** not the appropriate standard for such **an** inquiry. Asking whether a patient **is** medically eligible for a medical procedure **might** elicit a response that contains more information than necessary to decide whether to approve a loan. Furthermore, a patient **may** be medically eligible for, but not undergo, a procedure.

**Recommendation:** Rather than permitting a creditor to confirm medical eligibility, **the** example **should** permit the creditor to **verify** that **the** procedure is to be performed.

## IX Consumer's Request Sec. 30(d)(1)(vi)

### Proposed Rule

Proposed exception \_\_.30(d)(1)(vi) provides ~~that~~ a creditor may obtain **and** use medical information **if** the consumer (or their legal representative) requests in writing that the creditor use specific medical information for a specific purpose in determining the consumer's eligibility, or continued eligibility, for credit, to accommodate the consumer's particular circumstances. The signed written request must be on a separate document. The request also must describe the specific medical information that the consumer requests the creditor to use and the specific purpose for which the information will be used.

The preamble indicates that this exception is intended to apply when **the** consumer initiates a request to use medical information for determining eligibility. Specifically, the preamble states:

This exception **is** designed to accommodate the particular medical condition or circumstances of the individual consumer and is not intended to allow creditors to obtain consent on a routine **basis** or **as part of loan** applications or documentation. This exception would not be met by a form that contains **a** pre-printed description of various types of medical information **and** the uses to which it might be put. Instead, it contemplates an individualized process in which the consumer informs the creditor about the specific medical information **that** the consumer would like the creditor to use **and** for what purpose.



The intended approach is appropriate and protects consumers' medical information ~~from~~ inappropriate uses, ~~as~~ directed by Congress. ~~This~~ approach ensures that the request to use medical information is voluntary ~~and~~ is initiated by the consumer.

As currently written, however, the proposed rule does not reflect ~~this~~ intent. The intent of the Agencies should be incorporated in the actual text of the rule.

The rule should also expressly include the preamble's example of a pre-printed form describing various medical information and the uses to which it might be used ~~as an~~ example of obtaining and using medical information inconsistent with the exception.

The attempt to limit the collection of information pursuant to a consumer's request to "specific medical information for a specific purpose" may be somewhat thwarted by the authorization procedure under the Health Privacy Rule issued under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). ~~This~~ issue would arise where a consumer submits a request to a creditor to obtain and use specific medical information for a specific purpose and submits to a health care provider covered by HIPAA an authorization permitting the provider to disclose medical information to the creditor. The HIPAA rule ~~has a~~ general policy that a disclosure must be limited to the minimum amount of information necessary to accomplish the intended purpose of the disclosure (45 C.F.R. sec. 164.502(b)). However, the minimum necessary does not apply to a disclosure made pursuant to an individual's authorization (45 C.F.R. sec. 164.502(b)(2)(iii)). This creates a problem. A creditor may ~~be~~ limited in the amount and type of information that it may obtain ~~and~~ use, but a health care provider covered by HIPAA is under no legal obligation to limit its disclosure to the information requested ~~by~~ the consumer. It is quite possible, therefore, ~~that~~ creditors may receive medical information that is not necessary for the specific purpose requested by the consumer.

In order to address this issue, the Agencies should require creditors to immediately discard any information that they obtain that is not needed for the immediate purpose for which the request ~~was~~ made.

**Recommendations:** Retain the general approach that ~~permits~~ consumers to initiate requests that creditors obtain and use specific medical ~~information~~ for specific purposes.

Amend proposed section \_\_.30(d)(1)(vi) ~~by~~ inserting the following language:

Creditors may not request or require A consumer to Request that the Creditor obtain or ~~use~~ medical information under this provision on a routine basis or ~~as~~ part of loan applications.

Include the prohibition on using pre-printed forms and questions that is currently in the preamble in the rule as an example. Require creditors to discard any medical information that they obtain that ~~that is~~ not needed for the immediate purpose for which the request was made.

### **Additional Exception for Consumer Consent**



The Agencies **seek** comment on whether there **is** a need to establish **an** additional exception whereby a creditor could request that a consumer consent to the specific use of the consumer's medical information. **Permitting** creditors to request consumer's consent to the specific use of medical information would potentially undermine **the** intent of the **FACT** Act. It would potentially create **an** avenue **for** creditors to circumvent the requirements of the other exceptions. No additional exceptions are necessary.

It may be appropriate, in **very** limited circumstances, for creditors to **make** a request for consumer consent. For example, in the case **of** credit for the **purpose** of financing medical products or services, it may be **appropriate** for creditors to be able to request consent for related medical information **only** to the extent it **is** necessary to determine and verify the medial purpose **of** a loan and the use of **the** proceeds. It appears that they may already request consent under section **\_\_\_30(d)(1)(v)**. Similarly, it may be appropriate to permit creditors to request consumers request within the **parameters of** the provisions addressing forbearance agreements (should the Agencies **determine** that these should be treated as exceptions). Again, this would be **permitted** by the specific exception on forbearance agreements.

**Recommendation:** There should be no additional exceptions **permitting** creditors to request or require consumer consent to obtain or use medical information.

**X.** Limits on Redisclosure  
Sec. **\_\_\_30(e)**

**Proposed** paragraph (**e**) incorporates the statutory provision regarding the limits **on** redisclosure of medical information. This provision generally provides that a creditor that receives medical information about a consumer from a consumer reporting agency or an affiliate **is** prohibited **from** disclosing that information to **any** other person, except **as** necessary to carry out the purpose for which the information **was** initially disclosed.

**Recommendation:** The phrase in the statute "**as** otherwise permitted by statute, regulation, or order" **is** not clear, and the rule should clarify the scope. There are two ways that the phrase could be construed. First, the phrase could allow any activity that **is** not expressly **prohibited** by statute, regulation, **or** order. Second, the phrase could allow any activity that is expressly **permitted** by statute, regulation, or order. The second interpretation is the proper reading of the **law and** should be reflected in the rule. Otherwise, the mere failure of a **law** to prohibit conduct may be construed **by** some to **allow** that conduct.

**XI.** Sharing Medical Information with Affiliates  
Sec. **\_\_\_31**

Comments on Statutory Exceptions

Proposed section **\_\_\_31** generally tracks the statutory exceptions relating to **when** sharing medical-related information with affiliates does not constitute a consumer report.



**As** these exceptions are contained in the statute, they are appropriately contained in the proposed rule.

We **are** aware that the Agencies do not have the authority to significantly alter these exceptions. We would like to express our concern, however, with the exclusion “(f) or **any** purpose referred to in section 1179 of HIPAA” **And as** otherwise permitted by order of the appropriate agency. These exclusions have the potential of creating large loopholes for the sharing of medical information with affiliates

...

HIPAA amends the Social Security Act by adding section 1179, which provides as follows:

Sec. 1179. To the extent that an entity is engaged in activities of a financial institution (**as** defined in section 1101 of the Right to Financial Privacy Act of 1978), or **is** engaged in authorizing, processing, clearing, settling, billing, transferring, reconciling, or collecting payments, for a financial institution, this part [the Administrative Simplification Provisions of HIPAA], and any standard adopted under this part, shall not apply to the entity **with** respect to such activities

Section 1101 of the Right to Financial Privacy Act generally defines a “financial institution“, as any office of a bank, savings bank, card issuer, industrial loan company, trust company, savings association, building and loan, or homestead association (including cooperative **banks**), credit union, or consumer finance institution.

The American Bankers Association appears to take the position that section 1179 exempts **any** activity approved **by** OCC from HIPAA.<sup>2</sup> The U.S. Department of Health and **Human** Services (HHS) has not taken an official position on this issue.

Should the **ABA** prevail in its position, the statutory exception which permits creditors to share medical-related information with affiliates “for any purpose referred to in section 1179 of **HIPAA**” would essentially give creditors wholesale permission to **share** medical-related information for **any** activity. It is inconceivable that this result **was** intended by Congress.

We also urge the Agency to ensure that its **orders** that **affect** affiliate-sharing be consistent **with** Congressional intent to limit sharing of medical information with affiliates.

Recommendations: The Agencies should advise HHS of the potential effect of the interpretation of section 1179 on creditors’ ability to share medical-related information with affiliates. The Agencies should also create a procedure to verify that new orders do not create new exceptions which would permit greater sharing **of** medical information with affiliates.

### C. Comments on Proposed Exceptions Created by Rule

<sup>2</sup> See letter from the American Bankers Association to Tommy G. Thompson, Secretary U.S. Department of Health and Human Services October 24, 2003, which states in pertinent part, “...the plain language of the statute exempts from any regulations promulgated under the Administrative Simplification title, any entity engaged in the ‘activities of a financial institution.’ Nothing in section 1179 restricts the exempted activities to those involving the payment system.”



In addition to these statutory exceptions, the Agencies have proposed section \_\_.31(b)(5), which would allow creditors to share with affiliates medical-related information in connection with a determination of the consumer's eligibility for credit consistent with proposed section \_\_.30. There is no explanation as to why the Agencies believe this proposed exception is necessary and appropriate.

The proposed approach is overbroad, and appears inconsistent with the specific conditions imposed in other provisions or the proposed rule and the FACT Act. Specifically, the proposed approach appears to be inconsistent with the consent requirements in section \_\_.30(d)(1)(vi) of the proposed rule and section 604(g)(1)(B) of FCRA, which were intended to ensure that consumer's gave informed consent for the sharing, obtaining and use of their medical information.

Proposed section 30(d)(1)(vi) permits creditors to obtain and use medical information if the consumer (or the consumer's representative) requests in writing that the creditor use specific medical information for a specific purpose in determining the consumer's eligibility, or continued eligibility, for credit. The request must be signed, describe the specific medical information that the consumer requests the creditor to use and the specific purpose for which the information will be used. The intent of these requirements is to ensure that the consumer signs an informed consent that details who is permitted to use the information, what specific information will be used and the purpose for which it will be used.

Similarly, section 604(g)(1)(B) of FCRA. Section 604(g)(1)(B) of FCRA permits a consumer reporting agency to furnish a consumer report with uncoded medical information only with the specific written consent of the consumer to furnish the report to a creditor. Proposed section \_\_.30(d)(1)(iii) provides that creditors would be permitted to obtain and use medical information to the extent such information is included in a consumer report from a consumer reporting agency where the consumer has given consent in accordance with section 604(g)(1)(B) of FCRA. Again, this provision is intended to ensure that the consumer has given informed consent.

The consent process is seriously compromised if a creditor can then turn around and share the medical information with affiliates without any input from the consumer. We note that specifying in a consent that information may be shared "with affiliates" does not truly inform the consumer of the intended recipients of the information.

Proposed section \_\_.31(b)(5) would become significantly more problematic if the Agencies were to weaken the anti-discrimination provisions in section \_\_.30(c) in the final rule. Such an approach would permit creditors to share medical-related information with affiliates and would permit both the creditors and affiliates to discriminate against consumers based on their medical status or treatment. This improper use of medical-related information would be contrary to the intent of the FACT Act.

**Recommendations:** Proposed section \_\_.31(b)(5) should be deleted. At a minimum it should be amended to state that the exception does not apply to the extent that the



creditors has obtained medical information in a credit report furnished in accordance with 604(g)(1)(B) of FCRA or pursuant to a consumer's request.

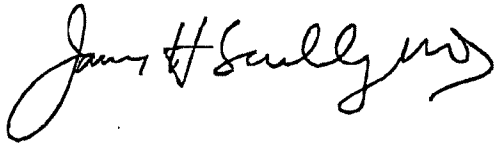
**XII. Specific Exceptions for Obtaining and Using Medical Information**  
Sec. \_\_\_\_30(d)(vii)

Proposed section \_\_\_\_ 30(d)(vii) gives the Agencies the authority to add new exceptions by order to the general prohibitions on obtaining and using medical information. Subsection 604(g)(2) and (3) of FCRA as amended by the FACT Act only gives Agencies authority to issue orders regarding consumer reports. Therefore, Congress only gave authority to the Agencies to issue exceptions to obtaining and using medical information through regulations, not orders. A reasonable interpretation of the FACT Act would infer that the Agencies would be exceeding their authority by including "orders" as a means for creating exceptions.

**Recommendation:** Section \_\_\_\_30(d)(vii) should be removed from the proposed regulations.

In closing, the APA appreciates the opportunity to comment on the proposed Regulation and looks forward to the publication of a final regulation that incorporates our suggested revisions. If you have any questions or comments contact Nancy Trenti, Associate Director, Department of Government Relations at 703-907-8644 or [ntrenti@psych.org](mailto:ntrenti@psych.org).

Sincerely,



James H. Scully, Jr. M.D.  
Medical Director